

Message Text

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SUBJECT: OUTLOOK FOR A GENERAL ELECTION

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SUMMARY: THE LEVEL AND TONE OF POLITICAL RHETORIC, COUPLED WITH A QUICKENING PACE OF ACTIVITY AT PARTY HQS, DEMONSTRATES THE BELIEF OF PARTY LEADERS THAT THEY ARE IN THE RUN-UP PERIOD TO A GENERAL ELECTION CAMPAIGN. BUT THEY -- LIKE OUTSIDE OBSERVERS -- CAN ONLY INFER WHEN CALLAGHAN WILL DECIDE TO GO TO THE POLLS, AND HE GIVES NO SIGN OF HAVING MADE A DECISION. THIS CABLE LOOKS AT RECENT DEVELOPMENTS AND UPDATES OUR PREVIOUS ASSESSMENTS OF THE LIKELY TIMING OF THE NEXT GENERAL ELECTION (REFTELS). ALTHOUGH CALLAGHAN STILL APPEARS TO PREFER WAITING UNTIL THE SPRING OF
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1979, THE MOVEMENT OF EVENTS, AT LEAST FROM OUR VANTAGE POINT, SEEMS TO MAKE A FALL ELECTION -- PROBABLY IN OCTOBER -- INCREASINGLY PROBABLE. AT PRESENT, WE WOULD MAKE THE ODDS FOR THAT TIMEFRAME ABOUT THREE-TO-ONE. END SUMMARY.

1. THE LEVEL, TONE AND PARTISAN CONTENT OF POLITICAL

DEBATE HAS INTENSIFIED IN RECENT WEEKS. SPOKESMEN OF THE TWO MAJOR PARTIES HAVE STEPPED UP THEIR PUBLIC APPEARANCES AND TURNED UP THE VOLUME OF THEIR RHETORIC. THE TORIES, FOR EXAMPLE, HAVE PLACED INCREASING EMPHASIS ON ISSUES THEY BELIEVE CAN WIN VOTES -- E.G. IMMIGRATION AND LAW AND ORDER -- INTENSIFIED THEIR ATTACKS ON THE GOVERNMENT'S ECONOMIC RECORD AND LAUNCHED A NEW "IMAGE-ORIENTED" MEDIA CAMPAIGN. THE LIBERALS HAVE BEGUN TO DISTANCE THEMSELVES FROM THE GOVERNMENT, FIRST ON THE FINANCE BILL AND MORE RECENTLY BY ANNOUNCING THAT THEIR ACCORD WITH THE GOVERNMENT WILL END WITH THE CURRENT SESSION OF PARLIAMENT. ULSTER UNIONISTS, REFLECTING ENOCH POWELL'S INFLUENCE AND ACUITY, HAVE INDICATED THEY ARE READY TO BARGAIN WITH EITHER OF THE MAJOR PARTIES (AND THE TORIES HAVE MADE SYMPATHETIC NOISES IN RETURN). FOR THE GOVERNMENT'S PART. CLAIMS TO SOUND ECONOMIC MANAGEMENT HAVE BEEN CONTRASTED WITH THE ABSENCE OF CONSERVATIVE ALTERNATIVES AND THE UNTESTED QUALITY OF THAT PARTY'S LEADERSHIP, WHILE PM CALLAGHAN HIMSELF BROACHED A NEW APPEAL TO VOTERS BY PROCLAIMING LABOR THE PARTY OF THE FAMILY, AS EVIDENCED BY THE BENEFITS PROVIDED FAMILIES IN THE RECENT BUDGET. ONLY THE NATIONALISTS, PERHAPS SHAKEN BY THEIR SAGGING POLITICAL FORTUNES, HAVE DECLINED TO PLAY THE GAME. AND THE INCREASED RHETORICAL OUTPUT HAS BEEN MATCHED BY GROWING ACTIVITY ON BOTH SIDES OF SMITH SQUARE, WHERE THE TWO LIMITED OFFICIAL USE

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MAJOR PARTIES HAVE THEIR HEADQUARTERS, AND HIGHLIGHTED BY THE MEDIA.

2. NOT ONLY IS THERE A CONSENSUS AMONG THE VARIOUS PARTIES THAT A GENERAL ELECTION IS NEAR, BUT ALSO THAT THE OPPOSITION HAS ONLY A VERY SLIGHT CHANCE OF FORCING A DATE ON CALLAGHAN, EVEN IF HE SHOULD DECIDE TO CONTINUE ON INTO A NEW PARLIAMENTARY SESSION. IN SHORT, THE INITIATIVE RESTS WITH CALLAGHAN. THERE IS CONSIDERABLE UNCERTAINTY ABOUT HIS INTENTIONS, DESPITE THE FACT THAT HE HAS LET IT BE KNOWN THAT HE WOULD PREFER TO GO TO THE POLLS LATER RATHER THAN SOONER. PREDICTABLY, THE TORIES HAVE BEEN THE MOST MERCURIAL IN ASSESSING HIS INTENTIONS. EARLIER THEY THOUGHT THE SPRING OR EARLY SUMMER (OF 1978) THE LIKELY TIMEFRAME. SENTIMENT THEN SHIFTED TO THE FALL, AND THEN TO THE SPRING OF 1979 BEFORE COMING BACK TO THE FALL TIMEFRAME. WHILE NO MORE CERTAIN THAN THE TORIES, LABOR MINISTERS AND BACKBENCHERS HAVE BEEN MORE CONSISTENT IN THEIR ESTIMATES. HAVING DISMISSED THE EARLY 1978 TIMEFRAME, THEY ALTERNATED BETWEEN THE FALL AND SPRING OF 1979 SCENARIOS. THE FORMER IS THE CURRENT FAVORITE, THOUGH MOST BELIEVE THE RECENT REVERSES

SUFFERED BY THE SCOTTISH NATIONAL PARTY (SNP) MEAN THAT

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THE SNP WILL NOT BE PUSHING FOR A GENERAL ELECTION IN THE NEAR TERM, AND THAT THE GOVERNMENT'S ABILITY TO SURVIVE ANOTHER SESSION OF PARLIAMENT WITHOUT ASSURED LIBERAL SUPPORT HAS BEEN GREATLY ENHANCED. THE DECISIVE FACTORS IN THEIR ESTIMATES HAVE BEEN THE RECENT FAVORABLE TRENDS IN EVENTS AND INDICATORS WHICH MAKE A FALL ELECTION MUCH LESS RISKY THAN THE 1979 SPRING OPTION. BUT WHILE CALLAGHAN, AS IS HIS PRACTICE, SEEKS OUT THE VIEWS OF HIS COLLEAGUES, HE KEEPS HIS OWN COUNSEL.

3. OUR PREVIOUS ASSESSMENT LOOKED AT FOUR PRINCIPAL OPTIONS AS TO THE TIMING OF THE NEXT ELECTION AND CONCLUDED THAT THE FALL OF 1978 WAS THE MOST LIKELY. AS WE SEE IT NOW, CALLAGHAN HAS TWO VIABLE OPTIONS FOR AN ELECTION -- THE FALL OF 1978 OR THE SPRING OF 1979. THEORETICALLY, THERE ARE FOUR OTHER POSSIBILITIES -- THIS SUMMER, THE WINTER OF 1978-79, THE SUMMER OF 1979 OR THE FALL OF THAT YEAR. THE TENDENCY OF THE ELEC-
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TORATE TO PUNISH THOSE PARTIES CALLING ELECTIONS IN THE SUMMER OR WINTER IS GREAT ENOUGH, IN OUR JUDGEMENT, TO MAKE THE FIRST THREE OF THESE OPTIONS UNVAILABLE, WHILE WE DISCOUNT THE LATTER BECAUSE IT WOULD LEAVE CALLAGHAN NO ROOM TO MANEUVER. THE FIRST THREE WOULD EVENTUATE ONLY IF CALLAGHAN SHOULD BE FORCED INTO A GENERAL ELECTION SITUATION BY THE OPPOSITION, AND THE LATTER ONLY IF THINGS BECOME SO BAD THAT HE IS UNWILLING TO RISK GOING TO THE POLLS BEFORE THE END OF HIS MANDATE. KEY CONSIDERATIONS OF THE TWO MOST PROBABLE TIMEFRAMES ARE:

-- FALL 1978 - EVENTS HAVE BEEN MOVING IN CALLAGHAN'S FAVOR FOR NEARLY NINE MONTHS NOW, WITH OCCASIONAL HICCUPS. HIS POPULAR STANDING REMAINS HIGH AND DRAMATICALLY AHEAD OF MRS. THATCHER'S; LABOR HAS MOVED AHEAD OF THE TORIES IN THE POLLS; THE RATE OF INFLATION AND SEASONALLY ADJUSTED UNEMPLOYMENT HAVE CONTINUED TO DECLINE; OUTPUT HAS INCREASED, ALBEIT MODESTLY; AND HIS POSITION IN PARLIAMENT HAS REMAINED SECURE. RECENT TAX CUTS WILL HAVE REACHED THE TAX-PAYER'S POCKET BY EARLY AUTUMN AND SHOULD REINFORCE THE GOOD FEELING THAT NORMALLY FOLLOWS THE SUMMER HOLIDAYS. THE GOVERNMENT SHOULD ALSO REAP SOME ADVANTAGE FROM THE PARLIAMENTARY RECESS - DURING THE SUMMER ITS ABILITY TO INFLUENCE THE NEWS MEDIA IS NOT CONSTRAINED BY THE OPPOSITION IN PARLIAMENT. WITH THE DEVOOLUTION BILLS ON THE STATUTE BOOKS, THE OUTLOOK ON THE CELTIC FRINGES SHOULD ALSO BE FAVORABLE. ON THE INDUSTRIAL FRONT, FEW WAGE SETTLEMENTS ARE DUE IN THE EARLY FALL -- AND NO AGREEMENT ON A FURTHER ROUND OF WAGE RESTRAINT IS YET IN SIGHT -- SO THERE IS RELATIVELY LITTLE PROSPECT THAT LABOR STRIFE WILL POISON THE ATMOSPHERE. WITH THE LIBERALS' COMMITMENT TO PARLIAMENTARY

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SUPPORT COMING TO AN END, CALLAGHAN'S POSITION IN THE NEXT SESSION OF PARLIAMENT WILL BE LESS SECURE (THOUGH NOT NECESSARILY VULNERABLE), AND CURRENT TREND LINES COULD TURN AROUND. INDEED, INFLATION RATE IS EXPECTED TO BOTTOM OUT IN THE SUMMER, AND OTHER INDICATORS TOO COULD DETERIORATE.

-- SPRING 1979 - IF CALLAGHAN COULD BE ASSURED THE CURRENT TRENDS WOULD CONTINUE, OR EVEN HOLD LEVEL, HE MIGHT BE WELL ADVISED TO DELAY A GENERAL ELECTION UNTIL THE SPRING. THE DELAY WOULD ALLOW HIM TO GO TO THE ELECTORS WITH A NEW REGISTER OF VOTERS WHICH TENDS

TO FAVOR LABOR. ACCORDING TO LABOR PARTY SOURCES,

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A FRESH REGISTER CAN ADD THREE OR FOUR PERCENT TO THE TOTAL LABOR VOTE, AS COMPARED TO THAT OF A FALL ELECTION, AND THAT IS NOT A PRIZE TO BE IGNORED. BUT NO ASSURANCES ARE AVAILABLE, ESPECIALLY IF THE INFLATION RATE TURNS UP AND ANTICIPATED GROWTH FAILS TO MATERIALIZE. THE SPRING OPTION, MOREOVER, CARRIES WITH IT OTHER UNCERTAINTIES. IN SCOTLAND AND WALES, LABOR'S TWO STRONGHOLDS, A SPRING ELECTION WOULD PRESUMABLY FOLLOW REFERENDA ON DEVOLUTION AND, POSSIBLY, ASSEMBLY ELECTIONS AS WELL. THAT MEANS THAT IT COULD BE THE THIRD ELECTION IN A SERIES OF FOUR OR FIVE (THE TWO OTHERS BEING LOCAL AND EC DIRECT ELECTIONS). THE TURNOUT MIGHT THEREFORE BE LOW, OFFSETTING ANY NOTIONAL ADVANTAGE FROM A NEW ELECTION REGISTER (LABOR TENDS TO DO BEST WHEN THE TURNOUT IS HIGH). AND IF, AS COULD WELL BE THE CASE IN WALES, THE DEVOLUTION REFERENDUM FAILS TO PASS BECAUSE OF THE REQUIREMENT THAT IT BE ENDORSED BY 40 PERCENT OF THOSE ELIGIBLE TO VOTE, BACKLASH COULD

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DAMAGE LABOR. FINALLY, A SPRING ELECTION WOULD MEAN THAT CALLAGHAN WOULD FIRST HAVE TO NAVIGATE HIS WAY THROUGH FIVE MONTHS OF PARLIAMENT WITHOUT AN ASSURED WORKING MAJORITY -- WHILE NEITHER THE LIBERALS NOR THE SNP HAVE ANY DESIRE TO PRECIPITATE AN ELECTION, THAT PROSPECT COULD CHANGE QUICKLY IF THE GOVERNMENT SHOULD, THROUGH MISCALCULATION OR MISMANAGEMENT, HIT A ROUGH PATCH.

4. ON THE BASIS OF THE ABOVE ANALYSIS, WE BELIEVE CALLAGHAN WILL DECIDE TO DISSOLVE PARLIAMENT THIS FALL AND TEST HIS STANDING. BARRING A RAPID AND UNFORESEEN CHANGE IN THE POLITICAL SITUATION, THE FALL WILL BE FAVORABLE FOR HIM -- INDEED PERHAPS MORE FAVORABLE THAN HE HAS ANY RIGHT TO EXPECT -- WHILE A DELAY WOULD CARRY WITH IT MANY UNCERTAINTIES AND RISKS. IN OUR VIEW, A PRUDENT POLITICIAN -- AND CALLAGHAN IS A CONSUMMATE PRACTITIONER OF THE ART -- HAS LITTLE CHOICE BUT TO STRIKE THIS FALL. INDEED, WE MAKE THE CURRENT ODDS TO BE ABOUT THREE-TO-ONE ON A FALL ELECTION.

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